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FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 5741
INFO AMEMBASSY BEIRUT
AMEMBASSY DAMASCUS
AMEMBASSY TEL AVIV
AMCONSUL JERUSALEM
NSC WASHDC 0085
DEPT OF TREASURY WASHDC

C O N F I D E N T I A L AMMAN 006393

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SUBJECT: TERRORISM FINANCE: JORDAN: HAMAS STORY NOT OVER

REF: AMMAN 06000

CLASSIFIED BY: AMBASSADOR EDWARD W. GNEHM FOR REASONS 1.5 (B) AND (D)

¶1. (C) SUMMARY. A HEATED LOCAL CONTROVERSY OVER JORDAN'S CLUMSY HANDLING OF THE DECISION TO ORDER AND THEN CANCEL A FREEZE ON HAMAS-LINKED BANK ACCOUNTS HAS 1) JEOPARDIZED THE CAREER OF A SOUND CENTRAL BANK GOVERNOR, 2) POLITICIZED THE ISSUE OF THE INDEPENDENCE OF THE CENTRAL BANK, AND 3) LIKELY MADE IT MORE COMPLICATED FOR US TO WORK WITH THE JORDANIAN GOVERNMENT ON TERRORISM FINANCE ISSUES. END SUMMARY.

¶2. (C) SPEAKING CAREFULLY, BUT IN VERY DISTRESSED TONES, TO THE AMBASSADOR ON SEPTEMBER 30, CENTRAL BANK OF JORDAN (CBJ) GOVERNOR UMayya Toukan said that he personally and the central bank as an institution had been deeply wounded by the political firestorm that followed his decision to freeze HAMAS-CONNECTED FINANCIAL ASSETS IN JORDAN (REF). THE GOVERNOR ADMITTED THAT HE HAD INITIALLY ORDERED THE FREEZE ON HIS OWN AUTHORITY ON THE BASIS OF A COPY WE SENT HIM OF A DIPLOMATIC NOTE TO THE FOREIGN MINISTRY. HE BELIEVED, HOWEVER, THAT HE HAD DONE SO UNDER A "FRAMEWORK" TO TAKE ACTION AGAINST TERRORIST FINANCES THAT HE HAD LONG AGO AGREED WITH PRIME MINISTER ALI ABUL RAGHEB. OBVIOUSLY, THE GOVERNOR SAID, HE HAD MISJUDGED THE POLITICS OF THE ISSUE. WHEN HIS INSTRUCTIONS TO BANKS BECAME PUBLIC AND TOUCHED OFF A FIRESTORM IN PARLIAMENT DURING THE KING'S VISIT TO THE UNITED STATES, TOUKAN SAID HE WAS TOLD BY THE PRIME MINISTER ON THE PHONE FROM WASHINGTON TO RESCIND THE ORDER. IN ANY CASE, TOUKAN SAID, NO ACCOUNTS LINKED TO THE HAMAS NAMES HAD BEEN FOUND IN JORDAN. (NOTE: HE WAS LESS CLEAR ABOUT ACCOUNTS OF THE HAMAS-LINKED CHARITIES, BUT DID NOT SUGGEST THAT THERE WERE ANY SUCH ASSETS IN JORDAN.)

¶3. (C) TOUKAN FELT THAT THE OTHER SHOE HAD NOT YET DROPPED AND THAT HIS PROFESSIONAL FATE WAS UNCERTAIN. HE HAD GAINED A RESPITE BY THE TWO-MONTH PARLIAMENTARY RECESS THAT BEGAN OCTOBER 1, AND SAID THAT 30 OF THE 70 MEMBERS WHO SIGNED A PETITION CALLING FOR HIM TO BE FIRED HAD WITHDRAWN THEIR SIGNATURES. THE PRIME MINISTER HAD ALSO ASSURED HIM THAT THE MATTER WOULD BLOW OVER. NONETHELESS, TOUKAN WAS PERSONALLY WOUNDED. HE HAD MADE HIS CAREER OUTSIDE POLITICS AS A "TECHNOCRAT", AND FELT HIS WORD AND PERSONAL CREDIBILITY HAD BEEN IMPUGNED.

¶4. (C) BUT THE GOVERNOR WAS EVEN MORE DISTRAUGHT ABOUT WHAT HE SAW AS THE DAMAGE THE AFFAIR HAD DONE TO THE CREDIBILITY AND HARD-WON INDEPENDENCE OF THE CBJ AS AN INSTITUTION. SOME IN JORDAN WERE CALLING INTO QUESTION THE BANK'S INDEPENDENCE FROM POLITICAL CONTROL, WITHOUT REALLY UNDERSTANDING WHAT THIS MEANT, HE SAID. THE GOVERNOR HAD THAT SAME DAY PHONED LEADERS OF PARLIAMENTARY BLOCS TO OFFER TO MEET TO EXPLAIN THE CONCEPT OF CENTRAL BANK INDEPENDENCE IN MONETARY POLICY AND BANK SUPERVISION MATTERS.

¶5. (C) COMMENT: JORDAN HAS BEEN VERY COOPERATIVE OVERALL ON TERRORIST FINANCE ISSUES. AS THIS INCIDENT SHOWS, HOWEVER,

TAKING ACTION AGAINST PALESTINIAN GROUPS, ESPECIALLY THOSE LIKE HAMAS THAT PROVIDE "HUMANITARIAN" SERVICES TO PALESTINIAN CIVILIANS, IS POLITICALLY MORE COMPLICATED. TOUKAN MADE VERY CLEAR THAT HE WOULD FREEZE ACCOUNTS IN THE FUTURE ONLY ON THE EXPLICIT INSTRUCTION OF THE PRIME MINISTER. IN AN OCTOBER 5 MEETING WITH FOREIGN MINISTER MUASHER, THE AMBASSADOR STRESSED THAT THE GOVERNMENT NEEDED TO FIND A WAY TO WORK WITH US ON THESE ISSUES. THIS INCLUDES IN CLARIFYING THE ACTION JORDAN HAS TAKEN AGAINST ACCOUNTS OF HAMAS-CONNECTED CHARITIES, IF ANY INDEED EXIST IN JORDAN.

16. (C) COMMENT CONTINUED: TOUKAN IS A PERSON OF INTEGRITY WHO HAS MADE A CAREER OUTSIDE POLITICS BUILDING THE CBJ INTO A MAJOR JORDANIAN INSTITUTION. WE AGREE THAT HIS PROFESSIONAL FATE REMAINS VERY SHAKY. THIS IS A SECOND UNFORTUNATE BRUSH WITH CONTROVERSY THAT MARRED A ROYAL TRIP: NEWS OF THE SHAMAYLEH BANK FRAUD SCANDAL SIMILARLY BROKE WHEN THE KING WAS IN WASHINGTON IN JANUARY 2002. THE CLUMSILY HANDLING OF THE CURRENT INCIDENT NO DOUBT GOT ABUL RAGHEB AND TOUKAN IN HOT WATER WITH THE KING AS WELL. AS FOR TOUKAN'S BELOVED BANK, WE THINK THE INSTITUTION WILL RETAIN ITS CREDIBILITY AND INDEPENDENCE, BUT WILL KEEP A CLOSE EYE ON DEVELOPMENTS.

GNEHM